

**U-15800**  
**Compiled Q&A Related to Technical Conferences**  
**2008 PA 295**  
**January 5-6, 2009**

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**Renewable Portfolio Standard (RPS) Questions**

**Procedural (100)**

- **Q-RPS-100-1. If a company's Renewable Energy Plan and Energy Optimization Plan are filed in the same case (that is, same Docket Number), can they be approved separately by the Commission?**

A-RPS-100-1. Yes. The Commission may approve either plan separately, without simultaneously approving the other. Staff recommends the two plans (RPS and EO) be filed as two separate documents, even if that necessitates duplicating parts of the two documents. However, providers can choose to file one document combining the two plans.

- **Q-RPS-100-2. The Temporary Order (pp. 16, 22-23; Attachment D, p. 5) clarifies the types of contracts the Commission will require to be approved. It has been proposed to exclude any contract with a value of less than \$5 million, so as to provide a clear threshold for contract submittal and approval. The Order does not appear to include the proposed exclusion of contracts with a value of \$5 million or less.**

A-RPS-100-2. Correct. The Temporary Order did not adopt the proposed \$5 million exclusion.

- **Q-RPS-100-3. What is the expected duration of RPS reconciliation proceedings (the legislation appears to presume that reconciliation proceedings will be concluded within 90 days (Section 21(9)))?**

A-RPS-100-3. Plan modification cases have to be completed within 90 days, but Section 49, regarding reconciliation cases, does not impose a 90-day limit.

- **Q-RPS-100-4. When will the Commission determine when the annual report (Section 51) and, concurrently, the renewable reconciliation proceeding is filed with the Commission? Should the utility make recommendations in its renewable energy plans?**

A-RPS-100-4. The Commission will make this decision some time in the future. Staff welcomes recommendations.

- **Q-RPS-100-5. Contract Approval – Will the MPSC approval of contracts submitted in the case docket satisfy the capacity review requirement contained in Section 6j(13)(b) of PA304 (460.6j(13)(b))?**

A-RPS-100-5. Staff believes this is the intent of the legislation, but Staff recommends that utility filings simultaneously request both approvals.

- **Q-RPS-100-6. Contract Approval – Will the MPSC approval of contracts submitted in the RPS case docket satisfy the capacity RFP requirements issued in MPSC Cases Nos. U-12148 (Consumers Power)/U-12177 (Detroit Edison)?**

A-RPS-100-6. Yes. Staff believes the new legislation supersedes these orders, for the purposes of the RFP requirements for capacity solicitations. Staff expects the Commission may revisit these Orders, in light of the new legislation.

- **Q-RPS-100-7. What compliance requirement should the Company plan for in 2029 (i.e., full compliance year or prorated)?**

A-RPS-100-7. Full compliance: this question can be argued and discussed in plan filings. Providers who believe that prorated compliance would suit them better are free to suggest that to the Commission.

- **Q-RPS-100-8. Questions concerning the Act will continue to arise. Will there be a formal process for asking/answering questions?**

Q-RPS-100-8. Yes. An on-line system will be established for accepting and answering questions.

- **Q-RPS-100-9. When will the Commission establish the process for verification of credits for Advanced Cleaner Energy Systems?**

A-RPS-100-9. The process for verification of credits for Advanced Cleaner Energy Systems will be established via the contractor who is selected to run the renewable energy credit certification and tracking program. This will be accomplished as soon as possible through a competitive bid process.

- **Q-RPS-100-10. Are the written questions asked during the Technical Conferences incorporated in the transcripts?**

A-RPS-100-10. Yes.

- **Q-RPS-100-11. How can we get a copy of the Technical Conference transcripts?**

A-RPS-100-11. They are available electronically on the Commission website under E-Dockets. Search for Case No. U-15800.

- **Q-RPS-100-12. Has the set of filing deadlines for Municipal Utilities to be filed some time after Dec. 14 been filed? If not, when will it be?**

A-RPS-100-12. All municipally-owned electric utilities must file their renewable energy plans and energy optimization plans by April 3, 2009 per the Commission's 1/13/09 Order in Case. No. U-15800.

- **Q-RPS-100-13. Please clarify what "filing jointly" means. To what extent can utilities using a common set of programs and a common approach to implementation file a common document describing their joint approach?**

A-RPS-100-13. For municipals, where it is a comment only proceeding, filing jointly may just mean using the same binders with separate dividers (or the electronic equivalent). For contested case proceedings, filing jointly means that parties with common interests and/or common representation will package their filings (maintaining their individual docket numbers) together for simultaneous processing. This would result in a single prehearing conference with a single

administrative law judge, and ultimately a single, combined schedule for cross-examination of witnesses. Providers may choose to propose anything up to identical programs at their discretion. Joint Plan filings should clearly indicate what Plan is being proposed by each provider.

**TOP**

### **Surcharge (200)**

- **Q-RPS-200-1. Regarding Renewable Energy (RE) surcharges, Section 45 of PA 295 allows for the imposition of RE surcharges on a "per meter" basis. By definition, unmetered service does not involve a meter, and, therefore, can not be subject to any "per meter" surcharges. Moreover, in direct contrast to its treatment of EO surcharges on unmetered service under section 89 (2), the Michigan Legislature made no provision whatsoever for imposing Renewable Energy surcharges on unmetered service customers under section 45. In recognition of these facts, do the utilities recognize that it would be improper and unlawful to impose any Renewable Energy surcharges on unmetered service customers?**

A-RPS-200-1. On page 40 of the Temporary Order, the Commission found that unmetered service will be included in the recovery of the incremental cost of compliance for renewable energy plans. Staff assumes that individual providers will file their plans and propose options for treatment of unmetered customers, The Commission will make its decision in the final plan orders.

Staff would note that for some “unmetered customers” such as street lighting, individual consumption is determined by knowing the power consumption of a device, which in Staff’s opinion is functionally equivalent, for this purpose, of being a “meter”.

- **Q-RPS-200-2. Staff has encouraged electric providers to include in their Renewable Energy Plans provisions to purchase renewable energy from residential and small commercial customer/suppliers through an Advanced Renewable Tariff (ART) under which a standard offer price would be provided for energy generated by various technologies. We understand that the staff would like one or more pilots proposed before February 20, 2009. Presumably, any incremental cost associated with the ART purchases would be recovered through the renewable energy itemized charge provided in PA 295 Section 45. Given that this approach does not appear to be consistent with PA 295, section 33, can staff provide the legislative authority to allow the Commission to approve a renewable energy plan that contains such purchases or to allow the Commission to approve the recovery of the incremental costs in the section 45 "itemized charge".**

A-RPS-200-2. Since this issue primarily concerns only Detroit Edison and Consumers Energy, Staff will discuss it with them outside of this forum.

- **Q-RPS-200-3. How long will the RPS surcharge be in place? 20 years starting in September 2009 (i.e. through August 2029) or only during the 20-year compliance period ending June 1, 2029?**

A-RPS-200-3. Staff assumes the RPS surcharge will be recovered over a 20-year period, starting with the first billing month of collection associated with an approved plan. However, this issue should be addressed by providers in their plan filings for ultimate determination by the Commission

- **Q-RPS-200-4. Will the RPS surcharges be implemented on a bills-rendered or service-rendered basis or should the electric provider include a proposal in its renewable energy plan? (Note that a utility company prefers bills-rendered.)**

A-RPS-200-4. Providers are invited to make a proposal regarding this issue in their plans.

- **Q-RPS-200-5. The Renewable Energy Plan Surcharge Summary Table is the same in Attachment A (IOUs) and Attachment C (munis). Do the municipally-owned utilities need to provide the same level of detail as the investor-owned utilities?**

A-RPS-200-5. These are general templates. If a portion does not apply, either show a zero value or leave the rows or columns out. The purpose of the tables is to help determine the expected incremental cost of compliance or what portion of the energy and RECs that were generated or purchased should be recovered through the surcharge (versus what portion should be recovered in general rates). Per Sec. 7(b), "Incremental cost of compliance" means the net revenue required by an electric provider to comply with the renewable energy standard, calculated as provided under section 47.

- **Q-RPS-200-6. If electricity is provided to an end user pursuant to a long-term fixed price contract, is it permissible to charge the customer for the cost to implement the Renewable Energy Plan?**

A-RPS-200-6. Yes. Section 89(2) of the statute requires the provider to implement a per meter charge. Unmetered electric customers will also be charged. A provider who wishes to waive customer surcharges under certain circumstances should describe the circumstances to the Commission in its plan filing.

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### **Avoided Cost/Transfer Price/Life Cycle (300)**

- **Q-RPS-300-1. Any clarification on the use of the "ultra-supercritical pulverized coal plant" as the facility for determining the expected lifecycle cost of electricity generated by a new conventional coal-fired facility.**

A-RPS-300-1. Staff will clarify this during discussions with Providers, in preparation for submitting to the Commission the "guidepost" or "hurdle rate" as directed in the Commission Order (p. 24). Staff's current thinking is that the standard should be "supercritical" rather than "ultra-supercritical" as we previously advised the Commission.

- **Q-RPS-300-2. To the best of our knowledge, no depreciation schedule exists for a wind turbine. Based on the wind turbine manufacturer's recommendation of a 20-year useful life for wind turbines, we are assuming a 20-year depreciation for wind turbines. Does the commission share this view of 20-year depreciation for wind turbines? If so, will the commission issue an order establishing a 20 year depreciation for wind turbines for the purpose of the renewable plan filing?**

A-RPS-300-2. As providers develop their plans, determination of reasonable asset lives is something they need to develop and submit with their plans. Staff's preliminary thinking is that 20 years may be reasonable. Staff assumes that the Commission will adopt a reasonable useful life in the plan approval orders.

- **Q-RPS-300-3. Is the renewable energy charge supposed to be designed so that all costs (including all capital costs) incurred to meet the RPS requirements for the 20-year period of the renewable energy plan are recovered within the 20-year period? I.e., is the charge intended to result in all plant investments made to comply with the RPS standard being fully depreciated at the end of the 20 years? If the answer to either question is "no," then what is the mechanism for recovering any remaining costs after the end of the 20-year period?**

A-RPS-300-3. No. At the end of the 20-year period, any remaining balances in the RPS Plan asset account need to be proposed for inclusion in plant-in-service in the next available rate proceeding.

- **Q-RPS-300-4. Determination of Transfer Price – Will the setting of the transfer price by the MPSC in an RPS reconciliation proceeding support the reasonableness and prudence of expense per Section 6j(12)?**

A-RPS-300-4. Staff expects so. Providers may wish to ask the Commission in the RPS reconciliation proceeding to make a determination that it is a reasonable and prudent transfer price for purposes of an Act 304 hearing.

- **Q-RPS-300-5. In Commission Order U-15800, Item #4 Calculation of the incremental cost of compliance via the transfer price to be recovered through the PSCR clause; the second paragraph says that the transfer price of EPC contracts, contracts for renewable energy systems that have been developed by third parties for transfer of ownership will have a transfer price established as a floor for the lifecycle of the project. The Order goes on further to say that provider owned projects will have transfer prices set in vintages. The Order is silent on what the transfer price should be for renewable energy systems developed by third parties that will not have an ownership transfer.**

A-RPS-300-5. It is unnecessary to vintage the third-party owned PPAs because they are operating under Commission-approved contracts and the utilities will be allowed to recover all costs associated with those contracts.

If a provider believes it needs the same treatment for PPAs that will not have an ownership transfer, it should ask for such treatment when it files its plan.

- **Q-RPS-300-6. Indicate if there are guidelines for how often the life cycle cost of new conventional coal will be recalculated?**

Q-RPS-300-6. Anytime you have a new plan, you have to re-calculate the hurdle rate.

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#### **Renewable Energy Credits (RECs) (400)**

- **Q-RPS-400-1. PA 295 Section 35 (1)(b) provides that with regard to the ownership of renewable energy credits associated with energy obtained by an electric provider under a PURPA PPA, if a separate agreement in effect on January 1, 2008, the separate agreement shall govern until January 1, 2013. In some cases those agreements do not identify the generator that originated the RECs. What level of proof that a separate agreement applies to energy generated under a PURPA agreement does the Commission expect electric providers to meet in its Renewable Energy Plans?**

A-RPS-400-1. This is something the provider and generator must work out among themselves. The generator originating the RECs must be identified in order for the RECs to be certifiable.

- **Q-RPS-400-2. PA 295, Section 41 (4) requires the Commission to establish a renewable energy certification and tracking program. Please provide the Commission's timetable for establishing the certification and tracking system. Will there be a fee for this service? Will the Providers include this fee in their proposed plans?**

A-RPS-400-2. The Commission will establish this as soon as possible. Staff expects the certification and tracking system to be ready by the time that plan implementation begins. Certification and tracking fees are expected to be paid by the generators.

Typically, the way these systems work, the generator applies for certification, pays a pretty small fee, gets their REC certified. The only other charges are associated with transfer of the certificates and the people transferring the certificates pay a small fee at that time. If the provider is going to own the generation, Staff would expect the fees paid by the generators to be included in the expenses in the provider's proposed plan.

- **Q-RPS-400-3. PA 295, Section 41 (4) requires the Commission to establish a renewable energy certification and tracking program. For RECs that result from generation occurring prior to the time the renewable energy certification and tracking program is established, what procedures are expected to be established to retroactively certify and track those RECs?**

A-RPS-400-3. Providers and generators can begin keeping track of Michigan-qualifying RECs now, in anticipation of certification later. To prevent problems with retroactive certification, Staff recommends that all data deemed necessary in order to insure certification should be carefully recorded and documented now.

- **Q-RPS-400-4. PA 295, Section 39 (1) provides that a renewable energy credit shall be granted for each megawatt hour of electricity generated from a renewable energy system. PA 295 section 11 (k) defines a renewable energy system as a facility or electric generation system that uses one or more renewable energy resources to generate electricity. PA 295 section 11 (i) to mean a resource that naturally replenishes over a human time frame and that is ultimately derived from solar power and includes, but is not limited to, (i) biomass. PA 295 section 3 (f) defines biomass to include, but not limited to, (iv) trees and wood, but only if derived from sustainably managed forests or procurement systems, as defined in section 261c of the management and budget act. Will the**



**Commission grant renewable energy credits for each megawatt hour of electricity generated from a renewable energy system that uses trees or wood from sources other than a sustainably managed forest of procurement system such as a right of way clearing project or construction debris disposal operation?**

A-RPS-400-4. The Act's definition of "renewable energy resource... includes but is not limited to" certain types of biomass materials (Section 11(i)). Staff cannot anticipate what the Commission will do.

- **Q-RPS-400-5. There appear to be no alternative compliance payments for RECs. Therefore, is there no ceiling on the market prices for RECs in the future?**

A-RPS-400-5. Correct. The Act does not set any ceiling on the market price for RECs. Because RECs can be produced any number of ways (purchased, generated or bought from a renewable facility under contract), the market should provide RECs at a reasonable price.

- **Q-RPS-400-6. Can providers use existing Renewable Portfolios to meet Act 295 RPS requirements? If so, can they be used for 100% of their needs, as long as the RECs are active and have not expired? Is there a cap on RECs used?**

A-RPS-400-6. Subject to all of the limits in Sections 29, and 41, pre-existing renewable energy resources can be used to meet Act 295 RPS requirements, for RECs generated after October 6, 2008. Pre-existing renewable resources can be used to meet 100% of a provider's needs (except for Consumers and Detroit Edison, who have build-out requirements). The Act does not appear to establish any cap on the number or percentage of RECs used which come from pre-existing renewable resources.

- **Q-RPS-400-7. When coming up with a provider's Renewable Energy Portfolio, and calculating the number of renewable energy credits equal to the number of megawatt hours of electricity produced or obtained in the 1-year period preceding October 6, 2008, can a provider count RECs that were sold to other parties as Green-e certified RECs? Can a provider count RECs that were used to provide service to customers in the provider's Green Pricing program?**

A-RPS-400-7. It is Staff's understanding that Michigan RECs did not exist prior to October 6, 2008. RECs not owned by a provider cannot be counted by that provider. RECs sold to retail customers in a Green Pricing Program cannot be counted towards compliance with PA 295.

- **Q-RPS-400-8. When should Michigan incentive RECs associated with Ludington pumped storage generation be accrued, when the off-peak period renewable energy is generated and the facility is pumped or when the facility ultimately generates energy?**

A-RPS-400-8. RECs associated with Ludington pumped storage generation should be accrued when the storage facility ultimately generates on-peak energy.

- **Q-RPS-400-9. For purposes of determining its RPS requirements for 2012 through 2015, should an electric provider include in its pre-existing portfolio Advanced Cleaner Energy Credits that would have been transferred to it in the year prior to enactment of PA 295?**

A-RPS-400-9. No. It is Staff's understanding that Section 27(3)(a)(i) indicates only renewable energy credits should be included, and does not include any provisions for substituting Advanced Cleaner Energy Credits.

- **Q-RPS-400-10. Does the percentage of renewables in a provider's supply portfolio go up as overall sales are reduced by actions taken as a result of the Energy Optimization Plans?**

A-RPS-400-10. Yes. It is a percentage standard. Net sales reductions from any cause, including the EO Plan, will reduce overall sales volumes used as a base to calculate the RPS targets. This would increase the relative amount of renewable supply sources in a provider's portfolio.

- **Q-RPS-400-11. Would a facility in Minnesota qualify for the Michigan RPS? Section 29 describes... "...located outside of this state in the retail electric customer service territory of any provider that is not an alternative electric supplier...". So, to qualify, an out-of-state facility has to be in the territory of a provider who is not an alternative electric supplier...what does that mean?**

A-RPS-400-11. Staff believes that renewable facilities anywhere in the state of Michigan will qualify for Michigan's program.

RECs from generators outside of Michigan can qualify if the facilities are inside the retail service territory of a regulated utility that serves retail customers in Michigan. This would include Indiana-Michigan Power Company and several Wisconsin utilities. Unless the Minnesota facility is in the service territory of a

utility that also provides regulated electric service in Michigan, its generation could not result in Michigan RECs

Section 29(e) contains a very specific provision that covers not-for-profit providers from Indiana and Wisconsin.

“Alternate Electric Supplier” is the Michigan term that means competitive electric suppliers.

(Note in section 29(1), a "provider" is a provider of retail electricity in Michigan. Also see the definition for "provider" in Section 9, and then Electric Provider in Section 5.)

- **Q-RPS-400-12. Under Section 29 (2) (e) we know that Midwest can use WVPA's renewable energy to meet its power needs. Besides the generation and RECs we are using to determine Midwest's baseline (from Oct. 6, 2007 to Oct. 6, 2008) and what we have used for our green pricing program and what we sold into the market, can we use all of our remaining RECs to meet its needs? Are there any other date requirements under Section 27(5) on fulfilling its future needs?**

A-RPS-400-12. Staff believes that the historical number would be whatever system power Wabash delivered to Midwest during the time period in question. If your average mix was 4% at that time, then the starting point for Midwest would be 4%. It is correct that you cannot count in the Oct 2007-Oct 2008 timeframe any RECs generated by Wabash that were either: (a) sold to others so they were no longer the property of Wabash; or (b) sold to end-use customers as part of a green pricing program.

That is the purpose of setting the baseline.

Going forward, you can “assign” to Midwest any RECs that “belong” to Wabash (given the caveats discussed in A-RPS-400-12 about ownership and green pricing programs), so that Midwest in the future can count a higher percentage.

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## **Energy Optimization (EO) Questions**

### **Procedural (100)**

- **Q-EO-100-1. What procedures will be in place to ensure that any self-directed plan and information submitted by a customer will be kept confidential, as required under Section 93(6)?**

A-EO-100-1. The Act exempts this information from FOIA. Staff will develop procedures to implement these provisions. Documents submitted to the Executive Secretary under this provision should be clearly indicated as such, to prevent disclosure to anyone other than Staff. Generally, parties seeking confidential treatment of filed materials should file using either CDs or DVDs and a letter can be submitted indicating that confidential documents have been filed that are not available. They will then be secured in the Executive Secretary's office.

- **Q-EO-100-2. Section 93(4) states that the Commission shall, by order, provide a mechanism for recovery of costs from certain customers for provider level review and evaluation, and for the costs of the low income energy optimization program under Section 89.**
  - a. **When do you expect the Commission to issue that order?**
  - b. **Do you expect the Commission to issue a single order for all providers, or will the Commission issue a separate order for each provider?**
  - c. **Alternatively, is the Commission expecting the providers to propose mechanisms for recovering these costs in their plans and the Commission will issue the required order when it approves the plans?**

A-EO-100-2. Staff expects separate orders for each provider. Staff encourages providers to propose a preferred mechanism. Staff believes it is likely that the Commission will include cost recovery for these costs in its orders approving Energy Optimization Plans.

- **Q-EO-100-3. If the customer's electric provider has chosen not to administer its own energy optimization program and instead elects the alternative compliance payment option under Section 91, should a customer file its self-directed plan and status reports with its electric provider, the state administrator, or both?**

A-EO-100-3. Both.

- **Q-EO-100-4. If a provider chooses to comply using the State Administered Plan, should the provider expect to prorate the first year alternative compliance payment, or should they expect to pay the entire amount, and collect the entire year's requirement with a 7- or 6-month surcharge?**

A-EO-100.4. The alternative compliance payment amounts are set by Section 91(1)(a) through (d). The Commission may adopt a proration alternative when it approves the State Administered Plan. Although the Commission has generally adopted a policy that allows collection of energy optimization surcharges only after a provider's plan is approved, Staff does not anticipate that the same type of approval process will be used for the contract with the State EO Plan Administrator. Therefore, providers may wish to petition the Commission to

begin collecting these amounts prior to the time when the State Administered Plan is finalized and approved. This would be consistent with the Commission's indication in the Temporary Order (p. 34): "Beginning the surcharge as soon as possible will allow the costs to be spread over more months, which will lower the monthly surcharge amount."

Providers who have chosen to utilize the State Administered Plan will still need to file for authorization for a surcharge to recover the alternative compliance payment. Staff recommends that those filings be made at the same time the other providers are filing their plans for approval.

- **Q-EO-100-5. How much input/control will the provider have with respect to the Administrator's programs, or will that totally be set by the MPSC?**

A-EO-100-5. Input from providers will be limited to participation in an advisory board that will work with the Commission Staff and the contractor to resolve program design and implementation issues.

- **Q-EO-100-7. When are customers required to elect self-directed treatment under Section 93(1) in 2009?**

A-EO-100-7. The notice of intent to self-direct must be sent to the provider by January 15, 2009. The Self-Directed Plan must be submitted to the provider by January 30, 2009 (See U-15800,12/4/08, page 36.)

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### **Surcharge (200)**

- **Q-EO-200-1. Will customers of providers who elect to make the alternative compliance payment under Section 91, and who are subject to a Section 91 energy optimization surcharge, be subject to a separate surcharge for a low-income energy optimization program?**

A-EO-200-1. No. Staff's interpretation is that to be consistent with Sec. 89(5) and Sec. 91(3), customers of a provider who elects to make the alternative compliance payment under Sec. 91 (i.e. chooses to participate in the State Administered EO Plan), will pay a surcharge sufficient to allow the provider to recover the amounts established in Sec. 91(1). If a customer is subject to a Section 91 EO surcharge, they have not elected to self-direct under Section 93. Only self-directing customers are subject to a separate surcharge to cover low-income EO programs.

- **Q-EO-200-2. Since large customers do not need to utilize the services of an energy optimization service company under Section (93)(4)(a), does the**

**Staff agree that those customers will not be subject to the costs under subdivision (a) for provider level review and evaluation?**

A-EO-200-2. Yes. Staff's interpretation is that customers with an annual peak demand in the preceding year of at least 2 megawatts at each site to be covered by a self-directed plan or 10 megawatts at each site to be covered by a self-directed plan, will be exempted from charges related to provider level review and evaluation.

- **Q-EO-200-3. Will a self-directed customer be subject to any energy optimization related costs other than provider level review and evaluation costs for smaller self-directed customers and low income energy optimization program costs for self-directed customers of providers operating their own energy optimization program? If so, please identify the costs.**

A-EO-200-3. No, but they will be responsible for the costs associated with their own self-directed plan.

- **Q-EO-200-4. Section 89 (2) of PA 295 stipulates that any energy optimization surcharge imposed on electric customers who use unmetered service must be "an appropriate charge". Which factors will the utilities and the Commission utilize to determine whether a proposed surcharge on unmetered electric customers is, in fact, "appropriate"?**

A-EO-200-4. These factors have not yet been determined. Providers are invited to include proposals in their Energy Optimization plan filings.

- **Q-EO-200-5. Will the utilities develop different EO surcharges for different types of unmetered electric uses (e.g., government street lighting, traffic control devices, cable power supplies, wireless access companies, and security camera companies)?**

A-EO-200-5. These factors have not yet been determined. Providers are invited to include proposals in their Energy Optimization plan filings.

- **Q-EO-200-6. For those types of unmetered electric customers whose electric use is not subject to any energy optimization, is it understood that the appropriate charge should be zero?**

A-EO-200-6. No. Staff does not know what the Commission will ultimately decide on this issue. However, Staff does not share the questioner's assumption that the charge would be zero.

- **Q-EO-200-7. Unmetered power service is unmetered because the amount of power used is too small to justify the cost of metering the energy usage. Given this fact, is it understood that any EO surcharge that may be imposed on unmetered service customers must be substantially less than the surcharges imposed on other types of customers who use far more electricity?**

A-EO-200-7. Staff does not agree with the initial premise. Staff expects EO surcharges for unmetered customers will generally be based on and differentiated by usage.

- **Q-EO-200-8. Has any utility developed any preliminary estimates of the surcharge(s), if any, that the utility may impose on unmetered service customers?**

A-EO-200-8. No, not to Staff's knowledge.

- **Q-EO-200-9. Please clarify with respect to using the Independent Energy Optimization Program Administrator regarding the revenue payments -- is the amount listed in the statute (Section 91) a strict amount, or just a floor and thus the provider could owe more?**

A-EO-200-9. Staff believes those are fixed amounts.

- **Q-EO-200-10. Page 32 regarding Gas Transportation customers - Item #3 "Treatment of nonresidential natural gas customers", in section XI, Energy Optimization Plan Issues and Clarifications on page 31, conflicts with item #8 "Definition of Natural Gas Retail Sales for an IOU" in the same section on page 37. Which is correct?**

A-EO-200-10. In an amendatory December 23, 2008 Order in Case No. U-15800, the Commission corrected the language on page 37 of its December 4 Order to read: "For the savings targets, the percentage will be applied to sales volumes including gas customer choice and gas transportation sales volumes."

On January 2, 2009, ABATE filed in Case No. U-15800 a Petition for Reconsideration and/or Rehearing and Request for Stay. The Commission's decision on that Petition may affect the ultimate answer to this question.

- **Q-EO-200-11. Please clarify the intent of 460.1089, section 89, (1) and (3). Are utilities allowed to spend more than would be raised by the caps on cost recovery described in (3) if the funds are being used for programs that are cost effective? If so, does that mean that these caps can be exceeded in this circumstance?**

A-EO-200-11. The intent of the legislation is to provide a specific EO program that meets certain targets at certain cost caps. If a utility wants to provide additional programs funded through another means, the legislation doesn't prohibit this. Utilities who want to provide EO programs beyond what is required by 2008 PA 295 would need to seek approval from either the Commission or the municipal board.

- **Q-EO-200-12. Can costs for program delivery be included in the bills submitted by a Joint Action Agency for municipal or cooperative utilities that is selected by Member Utilities to collect revenues and expend program costs on behalf of its members?**

A-EO-200-12. Staff believes this would be acceptable assuming all affected parties agree. Cooperatives are subject to Commission jurisdiction on this issue. Municipal utilities would need to follow their own ratemaking processes.

- **Q-EO-200-12a. Follow-up: Would the individual entities within that group have to meet the standard separately? Or would they all be considered one entity and collectively have to meet the requirements?**

A-EO-200-12a. Staff believes each entity would have to meet the standards separately.

- **Q-EO-200-12b. Follow-up: Would any costs that the group incurred be divided among the entities and collected as long as they are accounted for?**

Q-EO-200-12b. When plans are filed, include those costs and how you intend to work that out.

- **Q-EO-200-13. Clarification: On the payments to the State Administrator, the statute is clear in my mind that you pay that amount that you owe to the Administrator for implementation of the program. However, very likely the utility will have additional expenses such as internal accounting expenses, other program-related expenses if they have to add a staff person to handle additional questions from customers. I anticipate there will be additional expenses beyond just what they pay to the Administrator if that's the route that they select. Would you agree?**



**And second: If the utility has additional expenses beyond what they pay to the Administrator, will there be any issue with recovering those costs in the surcharge? Or is that State payment to the Administrator the most that the Commission will allow the utility to recover in the surcharge?**

A-EO-200-13. It is Staff's opinion, subject to review by the Commission, that the funds collected pursuant to Sec. 91(1) represent the entirety of the EO surcharge and all of that has to go to the State Plan Administrator. Additional expenditures will be the cost of doing business as a utility.

If a municipal utility opted to go with the State plan and pay the amount specified, they would have to deal with the cost recovery through their own cost recovery process.

**TOP**

### **State Administered Plan (300)**

- Q-EO-300-1. **When will the state plan administrator be identified?**

A-EO-300-1. The Commission is currently engaged in a request for proposals (RFP) process to identify the state plan administrator. Staff expects the administrator will be identified not earlier than second quarter 2009. .

- Q-EO-300-2. **If a provider makes the alternative compliance payment under Section 91, is the state administrator then responsible for the low income energy optimization program for that provider? Does the alternative compliance payment made under Section 91 cover the costs for the low income energy optimization program?**

A-EO-300-2. The State Plan Administrator will act as the provider for those providers who choose the alternative compliance payment. Staff believes that the alternative compliance payment would cover the costs for the low income energy optimization program except for the contribution required of the self-directed customers. Self-directed customers will effectively be reimbursing the provider for their share of the low-income EO program.

**TOP**

### **Self-Directed Plans (400)**

- Q-EO-400-1. **Section 93(1) states that a customer is not subject to certain energy optimization charges if the customer files with its electric provider a self-directed energy optimization plan. If the customer's electric provider has**

chosen not to administer its own energy optimization program and instead elects the alternative compliance payment option under Section 91, what will be the role of the electric provider in accepting and/or reviewing the self-directed customer's plan and status reports?

- a. Who will review and evaluate the self-directed plan, the electric provider, the state administrator, or both?
- b. Who will be responsible for monitoring the customer's progress towards the goals in the plan, the electric provider, the state administrator, or both?
- c. Can the state administrator reject a plan, or can only the provider reject a customer's self-directed energy optimization plan?

A-EO-400-1. Subject to correction by the Commission or the courts, the Staff believes the State Administrator will review and evaluate the self-directed plan. The State Administrator will be responsible for monitoring progress. For providers who opt to have the state administrator implement their Energy Optimization programming, the State Administrator will function in the role of provider for the purposes of Subpart B: Energy Optimization (e.g., Sections 71 and 93).

- **Q-EO-400-2. Section 93(5) requires the self-directed plan to be a "multiyear plan." Can a self-directed customer's plan be as short as two years?**

A-EO-400-2. Yes. Two years is the minimum duration of a self-directed plan, whether amended or not, as long as it is operational. A plan may be terminated by the customer before the end of the two year period.

- **Q-EO-400-3. Section 93(8) permits a self-directed customer to amend its plan. Does that include the ability to amend the plan's term? Will a customer be able to "opt out" of the self-directed plan option prior to the end of its plan's term? (i.e.: can the customer self-administer a program for 1 year and then choose to no longer self-administer?). Can customers that file a 3-year EO self direct plan change their mind? For example, after two years can they come back to the utility's program?**

A-EO-400-3. Staff is not aware of any prohibition against amending the term of a self-directed plan. However, as stated in A-EO-400-2, because of the statutory requirement that a self-directed plan must be "multi-year", a self-directed plan may not be amended to a term of less than two years. Staff expects customers to enter into self-direct plans with the intent to meet the goals of the Act and while a customer is engaged in a self-directed plan there will be regular, measurable progress toward meeting the goals of that plan. Customers may cancel a self-directed plan prior to the end of its term. Customers who cancel a self-directed plan will become responsible for

paying their provider's EO surcharge and will be eligible to participate in the provider's EO plan.

- **Q-EO-400-4. Do customers that self-direct need only achieve their target at sites where they want to make an EO investment? In other words they don't have to do something at every location so long as what they do at locations of their choice garners sufficient savings to cover all sites.**

A-EO-400-4. Staff believes that as long as the energy optimization goals are reached, the customer is free to target energy optimization investments to any of the customer's participating facilities. The details regarding the energy optimization proposals and how the savings target would be achieved would be part of the customer's initial self-direct plan filing.

- **Q-EO-400-6. If a customer does not file a self-directed EO Plan by January 30, 2009 (as required by the Commission's Temporary Order), does the customer get an additional opportunity to file a self-directed plan in 2009?**

A-EO-400-6. No. If there is any uncertainty about whether a customer wants to self-direct or not, the customer is advised to file a notice of intent to file by January 15, 2009 and submit a plan to their provider by January 30, 2009 because the customer will have the opportunity to terminate or amend the plan at any time before or after it is implemented

**Q-EO-400-7. Is there a filing deadline for customers opting to file a new self-directed plan that commences on 2010 or subsequent years?**

A-EO-400-7. In order to give the providers sufficient time to incorporate the self-directed plan into the provider's EO Plan, Staff would strongly encourage such filings to be made by November 15th of the year preceding the expected date of plan operation (i.e. by November 15, 2009 for a plan to be included in a provider's 2010 program.)

- **Q-EO-400-8. Is there a filing deadline for customers amending a self-directed plan that has been filed with its provider?**

A-EO-400-8. No. Consistent with the provisions of Sec. 21(9) and Sec. 93(6), a customer may file an amendment at any time. This may, or may not, necessitate an amendatory plan filing by the affected provider.

- **Q-EO-400-9. Self-directed plans are required to be submitted by January 30. However, the State Administrator is not expected to be identified until second quarter 2009. If the provider has chosen the State EO Administrator, who does the customer submit the self-directed plan to?**

A-EO-400-9. The customer should submit the plan to the Staff and the provider. Staff will pass the self-directed plans on to the State Plan Administrator as soon as possible after they are chosen.

- **Q-EO-400-11. What kind of monitoring would the Public Service Commission be doing to ensure that they're meeting the goals that they put forward in their program? Will verification be simple usage or actual implementation of measures?**

A-EO-400-11. We do not anticipate sending staff auditors out routinely to do a physical verification of installed measures. However, some sort of independent verification that plan improvements have been purchased, installed, and are in use, will be needed. Staff expects proposals on this in the Plan filings.

- **Q-EO-400-12. When will self-direct customer know what the low income charges will be?**

Q-EO-400-12. Surcharges will be known after the relevant provider's plan is approved by the Commission.

- **Q-EO-400-13. The statute does not itself differentiate between retail and wholesale customers for eligibility for the self-directed EO plan. Eligibility is strictly limited and related to the annual peak demand of the customer's sites covered by the self-directed plan. Is that interpretation correct?**

A-EO-400-13. Only retail customers are eligible for self-directed EO plans. A wholesale for resale customer, per se, is not eligible to participate in their provider's energy optimization plan. Rather, the wholesale customer will be providing an energy optimization plan for its retail customers.

- **Q-EO-400-14. Is the Self Direct Application available?**

A-EO-400-14. Yes, the final version is posted on the Spotlight box on the Michigan Public Service Commission Electricity webpage.

- **Q-EO-400-15. Can temporary shut-downs at industrial facilities be included in a self-directed plan as a conservation measure?**

A-EO-400-15. No. Sec. 93(5)(c)(i) prohibits counting savings from "Changes in electricity usage because of changes in business activity levels not attributable to energy optimization".

**TOP**

## **Performance Evaluation/Energy Savings Calculations (500)**

- **Q-EO-500-1. How will the energy savings from self-directed plans be measured? What will be the procedures for normalizing for weather, production, and other variances?**

A-EO-500-1. There will be a statewide “deemed energy savings” database that can be used for identifying savings associated with common measures. Several requirements for these kinds of calculations are included in Section 93,(5)(c). Consistency with the calculation methods used by the customer’s provider will be desirable. Self-direct customers should work with their providers to determine what will be workable for them.

- **Q-EO-500-2. When counting energy savings for the EO targets and using a CFL bulb as an example, which saves 38 kWh per year and has a useful life of 9 years – do we take credit for 38 kWh each year for 9 years or do we take credit for the 342 kWh in the first year (38 kWh x 9 yrs)?**

Q-EO-500-2. Energy savings calculations will be addressed for measures included in the Michigan energy savings database. In this instance, the credit would be 38 kWh each year; not 342 kWh in the first year.

**Q-EO-500-2a. Follow-up question: How precise are we going to take that? In other words, if I put a CFL light bulb in a customer’s home in July, do I take six months or do I take one half of that 38 kilowatt hours in the first year, eight full years, and then one half in the ninth year?**

A-EO-500-2a: An evaluation work group will work out some of the details.

- **Q-EO-500-3. There may be a particular situation where you have better information than the average would dictate. In other words, the deemed savings for a CFL are based on an average of a thousand CFL’s that you are putting in are used eight hours a day rather than two hours a day, or whatever the deemed savings, shouldn’t you put that in your plan?**
- **A-EO-500-3.** The original answer (above) pertains to this situation. If you do not use the database, then you will have to provide documentation.
- **Q-EO-500-4. Under Section 77(2), providers are able to take advantage of load management to achieve energy savings. What credit is given in a self-directed energy optimization plan for demand shaving and/or load management activities?**

A-EO-500-4. Customers with self-directed plans will be eligible to calculate load management credits using the same methods as providers. Staff believes load management only counts when it actually conserves kilowatt hours.

- **Q-EO-500-5. If a customer runs a self-directed program and, in a given year, achieves greater savings than required by legislation (i.e.: greater than 0.3 % in 2009), is credit given for the additional savings? Can savings greater than required in a given year be carried forward for credit on a future year's obligation? If so what percentage, and how many years? Is any other "offset" contemplated?**

A-EO-500-5. The statute is silent on self-directed customers carrying forward excess savings. The Staff assumes that since the providers can carry forward (See Section 83(3)), then self-directed plans may also. The Commission will need to rule on this issue. Assuming the Commission agrees, one restriction is necessary: since the Self-directed plans are to be incorporated into the provider's EO plan per Section 93(6), if the customer carries forward, then the provider must carry forward the same amount.

- **Q-EO-500-6. Can a provider carry over excess natural gas savings? Only MWh savings, not MCfs, create EO credits, and only EO credits may be carried forward.**

A-EO-500-6. No. Only Mwh savings create certifiable energy optimization credits because a certifiable energy optimization credit can be substituted for a renewable energy credit (which is electric only).

The legislation is silent on carrying forward natural gas savings. However, Staff believes that **for purposes of meeting energy optimization performance standards (not creating certifiable credits)**, excess natural gas savings should be able to be carried forward in a manner analogous to Sec. 83(3)(a) electric savings. Providers who are interested in carrying forward excess natural gas savings for purposes of performance evaluation should request approval in their state EO Plan filing.

- **Q-EO-500-7. What does a new customer do? What do they use for data points for prior years to record savings if there is not prior year (new business example?) In a self-directed plan option, what about new facilities? Would code be considered baseline usage?**

A-EO-500-7. Staff thinking on this is not fully developed: Code is a possibility. So is extrapolating from use by similar facilities, if any. If there are cases where code is the same as best available practice, how do you start saving energy? Recommendations on this issue are welcome in the context of the plan filings.

It would seem that the same answer (or range of options) should apply to customers who participate in a provider's plan and those who choose to self-direct.

- **Q-EO-500-8. Please provide an update of the status of the Michigan Energy Savings Database, and how small utilities may gain access to it. If a utility finds what it believes to be problems with the database, may it substitute estimates it finds more credible? Are these measure characterizations to be considered definitive for estimating program savings?**

A-EO-500-8. The statewide "deemed savings" database is available now. Summary data is posted on the Spotlight section of the Commission's Electricity webpage. Since the database is a statewide collaborative effort, it is expected that any differences in opinion about savings values would be worked out with the other collaborative members and the database administrator. Staff believes the deemed savings database should contain the definitive answer for measures included in the database. Staff assumes that any utility that has contributed toward the cost of the database would have the name and contact information of the database administrator.

- **Q-EO-500-9. There may be a particular situation where the average isn't applicable. For instance, maybe you know that CFLs are used for 8 hours/day rather than the average of 2 hours/day.**

A-EO-500-9. The database should accommodate variable hours of operation. If there is a variation not represented in the database this should be brought up in the collaborative evaluation working group. There may also be more generic issues or processes that a provider may wish to include in its plan filing.

- **Q-EO-500-10. Regarding reporting MWh sales based upon either (1) prior year's "weather-normalization" or (2) a three-year rolling average. For prior year's weather-normalization we do not have a 20-year history that we can use to base our weather-normalization factor upon. We believe that actual prior year's MWh sales would be the most accurate yearly data to base our renewable energy portfolio requirements on and therefore, we will be requesting to use this method to calculate our renewable energy portfolio.**

**However, if we would be provided the yearly weather-normalized factor, *in a timely manner*, for each investor-owned utility (Consumers Energy and Detroit Edison), we would consider the prior year's weather-normalization method. Since we serve member-customers in both Consumers Energy and Detroit Edison service territories, would it be possible to use the incumbent utilities weather-normalized factor and apply that factor to our**

**MWh sales to come up with our prior year's reporting requirement? If that would be a possibility, where and when would we be able to receive these factors on a yearly basis?**

A-EO-500-10. Staff does not dictate the methodology for weather-normalization. Providers need to work this out for, or among themselves.

- **Q-EO-500-11. Can 2008 energy savings from self-directed customers be counted toward the 2009 target?**

A-EO-500-11. Actually the first target is for the [2008 -2009] biennium. Staff interprets the statute as providing that self-directed customers can include in their filed plan savings for both years in meeting their 0.3% of base-year 2007 target. This is not the same for providers. Even though the first target includes the 2008-2009 biennium, providers can only include energy efficiency measures that were directly related to their approved EO plan.

Note Sec. 77(1) "...an electric provider's energy optimization programs under this subpart shall collectively achieve the following energy savings: (a) biennial incremental savings in 2008-2009 equivalent to 0.3% of total annual retail electricity sales in megawatt hours in 2007."

- **Q-EO-500-12. Clarify how far back savings from existing energy optimization projects can be counted toward meeting 2009 targets.**

A-EO-500-12. The PA 295 Energy Optimization program is an incremental savings program. See Sec. 77(1) referenced above and Sec 93 (5)(a) which states, "The self-directed plan shall outline how the customer intends to achieve the incremental energy savings specified in the self-directed plan." Since the base year for the 2008-2009 biennium is 2007, January 1, 2007 becomes a hard cut-off date. Any measure operational before Jan 1, 2007 is fully included in the customer's base-year electric purchases.

Thus, savings produced by the measure in 2008, 2009 or thereafter are not incremental savings and do not count toward the target. If the measure was operational at some point during 2007, a portion of the annual savings is included in the base year. For example, if the measure was operational on October 1, 2007, 3/12 of the annual savings is in the base year, and therefore 9/12 of the savings during 2008, 2009, or thereafter, qualifies as incremental savings.

- **Q-EO-500-13. Does the Commission propose to establish standardized inputs for use in applying the Utility System Resource Cost Test (USRCT), or other tests that the Commission requires utilities to conduct in evaluating the cost-effectiveness of their programs? If so, when, and through what process?**



A-EO-500-13. There is enough documentation regarding the USRCT test that providers can determine the inputs from available data. Staff can provide assistance if needed.

- Q-EO-500-14. **Would individual entities within a joint program need to meet the goals or can one entity over-achieve and apply those saving towards under achieving entities?**

A-EO-500-14. Each entity must separately meet goals but costs can be distributed to all entities as long as that approach is specified in the plan.

**TOP**

#### **U-15800 Order Clarifications (600)**

- Q-EO-600-1. **Page 29 regarding the MI Energy Saving Database - "The Commission directs the providers to work with the Staff to establish a link from the MPSC website to a site where posted savings values can be viewed within 30 days after the database becomes operational." Please define operational.**

A-EO-600-1. Staff defines "operational" to mean when the database is up and running, and can be made available to the public via the internet.

- Q-EO-600-2. **Page 40 regarding low income residential customers - "MPSC expects creative/focused efforts to target EO program services to distinct subsets of the low income population, which may entail different services." Are there any existing low income energy optimization programs in other states that could be cited as examples?**

A-EO-600-2. Staff is aware of comparative analyses of low-income energy optimization programs completed by the American Council for an Energy Efficient Economy (ACEEE; [www.aceee.org](http://www.aceee.org)), and the Low-Income Heating Energy Assistance Program (LIHEAP) Clearinghouse of the National Center for Appropriate Technology (NCAT; [www.ncat.org](http://www.ncat.org)). Staff recommends that providers and interested parties review those sources for information, and Staff invites all interested parties to share additional references of examples of best practices.

- Q-EO-600-3. **In developing an EO plan, can the City of Detroit Public Lighting Department (a general fund department of the City of Detroit, not a Board nor Authority) aggregate the various energy efficiency activities that the various City of Detroit departments/agencies are already conducting, to serve as the DPLD-controlled and -implemented plan,**

**within the meaning of the Act? Would such an aggregation of other City energy efficiency programs serve as DPLD's self-directed EO plan (rather than DTE separately charging DPLD, for DPLD's participation in DTE's EO program activities)?**

A-EO-600-3. No. Only to the extent that City of Detroit energy efficiency programs are directly serving DPL itself or DPL customers.

- **Q-EO-600-4. In Section 45(5)(c) of PA 295, how will savings from EO programs be calculated to be shown on a customer's bill? Does this use generic coal plant as a comparison?**

A-EO-600-4. The savings (avoided cost) shown on the customer bills will be based on the "guidepost rate" developed by the Staff and the providers pursuant to the process described on page 24 of the Temporary Order. This number must be forwarded to the Commission by January 30, 2009. See pages 38 and 39 of the Temporary Order for further discussion about information required on customer bills.

- **Q-EO-600-5. In the case of small utilities, is it possible to meet the obligation to provide customer class equity in EO expenditures over a two or three year period? Our largest customer class is residential meters and want to average costs over several years.**

- A-EO-600-5. Staff believes that is reasonable. The Act says, "to the extent possible" the money collected should be used to provide EO services to the customer class that paid it.

- **Q-EO-600-6. Heat pumps use more electricity but save total energy usage. Would they qualify for an Energy Optimization program?**

A-EO-600-6. Staff believes groundwater or ground heat pump systems may qualify for Energy Optimization, but probably not a straight heat pump. But we will have to look at the savings for the plans.

- **Q-EO-600-7. We have five different residential rates. Is each rate supposed to show the Energy Optimization reductions, i.e., 23%, or is the rate class considered as a whole?**

A-EO-600-7. The rate class is considered as a whole.

- **Q-EO-600-8. PA 295 divides customers into three categories. Do municipals have discretion to place customers into a class that they feel is more appropriate based on usage? Example: Can pole barns be put into residential?**

A-EO-600-8. The Commission spoke to this in the Temporary Order with regard to extremely small commercial customers. Providers, especially municipals, have the flexibility to treat that customer as a residential customer. The Commission asked the providers to review this issue as they put together their plans.

- **Q-EO-600-9. Could we use EO funds to install energy efficient streetlights?**

A-EO-600-9. The plan was designed to conserve energy for retail customers. If you have retail customers with streetlights, then you can use the EO funding to operate a program which would change out those lights. This includes the example of a city government that is a retail customer of a municipal utility.

**TOP**